

## Message Text

CONFIDENTIAL

PAGE 01 QUITO 07060 300927Z

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ACTION L-01

INFO OCT-01 ISO-00 ARA-06 EB-03 SS-14 SP-02 INR-05 INRE-00

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC NIACT IMMEDIATE 1759

C O N F I D E N T I A L QUITO 7060

STADIS//////////

LIMDIS

FOR: ARA - GRUNWALD; L - SCHWEBEL; EB - SMITH

E.O. 11652: GDS

TAGS: ENRG, PFOR, EC

SUBJECT: GULF-GOE DISPUTE

REFS: (A) BLOOMFIELD-GRUNWALD TELECON; (B) STATE 242418;  
(C) STATE 242489

1. AFTER MY LAST TELEPHONE CONVERSATION WITH GRUNWALD AT ABOUT 11:30 P.M. WASHINGTON TIME, I, ACCOMPANIED BY THE DCM, WENT TO SEE MINISTER ROBALINO WHO WAS STILL WORKING WITH THE GOE COMMISSION ON THE GULF DISPUTE. WE MADE A VERY STRONG PRESENTATION OF THE CASE FOR ARBITRATION, CITING AS EXAMPLES OF THE TYPE OF CLAIM THAT THE GOE MIGHT ADDUCE THE PREVIOUS THREATS BY THE MINISTER OF RESOURCES TO CLAIM THAT TEXACO-GULF OWED \$68 MILLION FOR OIL NOT LIFTED UNDER DECREE 285, FOR ALLEGED FAILURE TO MAINTAIN WELLS, ETC. WHEN HE REJECTED VEHEMENTLY THE CONCEPT OF ARBITRATION AS OUTLINED IN PARAGRAPH G OF REF B, I PRESENTED THE FALL-BACK CONTAINED IN REF C, AND HANDED HIM THE TEXT OF THE 1914 TREATY ON ARBITRATION.

2. ON THE LATTER POINT THE MINISTER SEEMED INTERESTED  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 07060 300927Z

BUT WAS NON-COMMITTAL. BUT TWENTY MINUTES AFTER OUR

MEETING, THE MINISTER CALLED ME TO INFORM ME THAT THE GOE COULD NOT ACCEPT THE USG PROPOSAL ON ARBITRATION. ROBALINO CITED THE ATTORNEY GENERAL (WHO IS A MEMBER OF THE COMMISSION) TO THE EFFECT THAT FOR THE GOE TO ACCEPT ARBITRATION WOULD BE IN CONTRAVENTION OF THE ECUADOREAN CONSTITUTION, AND SAID THAT THE DECISION NOT TO ACCEPT ARBITRATION HAD BEEN MADE BY PRESIDENT POVEDA HIMSELF. ACCORDINGLY, THE ATTORNEY GENERAL HAD BEEN INSTRUCTED TO BEGIN DRAWING UP THE CADUCITY DECREE AT 0830 SEPT. 30.

3. I TOLD THE MINISTER THAT I WOULD LIKE TO TAKE DELIVERY OF THE GOE MEMORANDUM AS IT STOOD. HE AGREED AND THIS DOCUMENT IS TRANSMITTED BY SEPTTEL.

4. I THEN CALLED PHIL WYCHE, GULF VICE PRESIDENT, IN CORAL GABLES AND INFORMED HIM OF THE GOE'S DECISION. I URGED HIM IN STRONG TERMS TO ACCEPT THE GOE MEMORANDUM, AND TAKE THE RISK OF A NEGOTIATION WITHOUT THE ARBITRATION CLAUSE. I POINTED OUT THAT:

(A) GULF WOULD STILL HAVE A SUBSTANTIAL FLOAT OF FUTURE DEPOSITS DURING THE NEGOTIATIONS.

(B) MORE IMPORTANT, THE USG WOULD BE IN A MUCH STRONGER POLITICAL POSITION TO DEFEND GULF SHOULD THE NEGOTIATIONS FAIL BECAUSE OF UNREASONABLE GOE DEMANDS, GIVEN THE GOE MEMORANDUM AND THE MORAL COMMITMENTS MADE TO ME BY THE PRESIDENT AND THE FINANCE MINISTER THAT THE GOE WOULD NEGOTIATE IN GOOD FAITH.

I ALSO POINTED OUT TO WYCHE THAT, ALTHOUGH I HAD NOT AT THAT POINT SEEN THE FINAL GOE MEMO, I HAD TO ASSUME THAT SOME OF THE OTHER POINTS THAT GULF HAD ASKED FOR MIGHT NOT BE ADEQUATELY COVERED. (AS IT TURNS OUT, HOWEVER, THE MEMO DOES INCLUDE GULF'S MOST IMPORTANT POINT: THE QUIT-CLAIM) I MENTIONED THE CREDIT OF THE \$27 MILLION IN ADVANCE DEPOSITS AS A POINT THAT I HAD NOT HAD TIME TO PUSH FOR INCLUSION. BUT I FELT CONFIDENT THAT THE GOE WOULD NOT WELSH ON THAT PARTICULAR POINT.

5. WYCHE ASKED ME WHETHER I FELT CONFIDENT THAT EVEN IF CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 07060 300927Z

THE MEMO I WAS RECEIVING WAS UNSIGNED, THE GOE WOULD IN FACT GIVE ME A SIGNED MEMO ONCE GULF HAD MADE THE CASH DEPOSITS. I SAID I WAS QUITE CERTAIN, BECAUSE THE NEGATIVE CONSEQUENCES OF RENEGING ON SUCH A COMMITMENT FOR USG-GOE RELATIONS WOULD BE PROFOUND.

6. WYCHE THEN SAID THAT HE PERSONALLY AGREED WITH ME THAT GULF SHOULD ACCEPT THE GOE MEMO, TAKE THE RISKS, AND AVOID

CADUCITY. HOWEVER, HE WOULD HAVE TO CONVINCE HIS SUPERIORS, WHICH HE WOULD TRY TO DO FIRST THING IN THE MORNING.

7. WYCHE ASKED ME IF I HAD DISCUSSED ANY MODE OF MAKING THE DEPOSIT OTHER THAN THE NORMAL PROCEDURES VIA CITIBANK. I SAID I HAD NOT BUT I WOULD APPRECIATE IT, IF GULF DECIDED TO MAKE THE DEPOSIT, IF HE WOULD CALL ME DIRECTLY SO I COULD NOTIFY THE GOE. HE SAID GULF WOULD GET WORD TO ME

8. I THEN CALLED MINISTER ROBALINO (AT ABOUT 0100 SEPT. 30) AND TOLD HIM THAT I THOUGHT THERE WAS A REASONABLE POSSIBILITY THAT GULF WOULD ACCEPT THE GOE MEMO AND MAKE THE DEPOSIT TOMORROW MORNING. HE URGED FAST ACTION BECAUSE HE SAID THAT TOMORROW MORNING THINGS WOULD START ROLLING TOWARD THE CADUCITY DECREE. WE AGREED THAT IF THE GOE MEMO WAS ACCEPTED AND THE DEPOSIT MADE, THERE WOULD BE NO CADUCITY. (HE SAID THE CADUCITY WOULD TAKE FEEECT AT 0830 OCT. 1.)

9. I THEN RAISED ANOTHER MATTER WITH THE MINISTER, NAMELY, GULF'S LETTER TO THE USG. ROBALINO HAD TOLD ME THAT THE GOE HAD SLIGHTLY RE-DRAFTED THE LETTER. WE AGREED TO NEGOTIATE ON THE GULF LETTER, ONCE GULF HAD MADE THE DEPOSIT, AND THAT THE GOE'S DECISION ON CADUCITY WOULD NOT HINGE ON REACHING AGREEMENT ON THE GULF LETTER, BUT ONLY ON THE DEPOSIT.

10. I FEEL THAT WE HAVE GOTTEN FOR GULF EVERYTHING THE GOE COULD REASONABLY BE EXPECTED TO GRANT AND INDEED FAR MORE. FOR A CASH OUTLAY OF \$25 MILLION, GULF GETS A GOE COMMITMENT TO THE USG TO NEGOTIATE A BUY-OUT OF GULF'S INTERESTS ON A REASONABLE SET OF CRITERIA, AND PRESERVES THE LEVERAGE OF AN IMMEDIATE FLOAT OF \$38 MILLION AND AN EVEN HIGHER

CONFIDENTIAL

PAGE 04 QUITO 07060 300927Z

POTENTIAL FLOAT DURING THE NEGOTIATIONS. IF GULF CANNOT BRING ITSELF TO ACCEPT THIS DEAL, I DO NOT BELIEVE THEY DESERVE ANY USG SYMPATHY, EVEN THOUGH WE MAY BE OBLIGED TO SUPPORT THEIR CLAIMS.  
BLOOMFIELD

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## Message Attributes

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